

Message Text

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ACTION EB-07

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E.O. 11652: N/A

TAGS: BEXP YO

SUBJ: MAJOR PROJECT: KOSOVO THERMOELECTRIC POWER PLANT

1. SUMMARY: YUGOSLAVS ARE ABOUT TO NARROW LIST OF BIDDERS FOR TWIN 300MW KOSOVO THERMOELECTRIC STATION. US FIRMS REMAIN IN RUNNING BUT BEHIND OTHERS. FINANCING WILL BE ESSENTIAL ELEMENT IN DECISION. FAVORABLE EXIMBANK FINANCING IS IMPORTANT TO US COMPETITORS. END SUMMARY.

2. SOVIETS HAVE ENTERED WITH \$66 MILLION PACKAGE THAT INCLUDES EVERYTHING EXCEPT WATER TREATMENT ISLAND AND PROMISES HIGH YUGOSLAV CONTENT. SOVIETS HAVE OFFERED TO SUBSTITUTE POLISH OR CZECH BOILERS FOR SOVIET HIGH-PRESSURE UNITS THAT YUGOSLAVS DO NOT LIKE, KOSOVO CONSIDERS OTHER OFFERS SUPERIOR ON TECHNICAL GROUNDS. NONETHELESS, GIVEN PREOCCUPATION OVER PRICE AND FINANCING, YUGOSLAVS WILL FIND IT DIFFICULT TO RESIST ALLURE OF SOVIET GIVEAWAY. THEY HAVE GONE TO MOSCOW THIS WEEK TO DISCUSS DETAILS.

3. NEXT IN RUNNING APPEARS TO BE PACKAGE COORDINATED BY YUGOSLAV ENTERPRISE INVEST-IMPORT AND CONSISTING OF TURBO-GENERATORS BY FRENCH FIRM CEM UNDER SWISS LICENSE; BOILERS WITH HIGH YUGOSLAV CONTENT BY CANADIAN SUBSIDIARY OF COMBUSTION ENGINEERING; COMBINED ELECTRICAL ISLAND; AND DOMESTIC WATER TREATMENT.

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4. NOT TO BE EXCLUDED IS AN OFFER BY GERMAN GROUP KWU.

5. WESTINGHOUSE AND ITS LOCAL AGENT ARE ANGLING TO HAVE WESTINGHOUSE TURBINES SUBSTITUTED FOR FRENCH GENERATORS IN INVEST-IMPORT PACKAGE.

6. BABCOCK-WILCOX HAS SUBMITTED SEPARATE OFFER FOR BOILERS COMPATIBLE WITH WESTINGHOUSE TURBINES. LOCAL CONTENT LESS THAN CANADIAN COMBUSTION ENGINEERING OFFER, BUT PROBABLY COULD BE INCREASED TO YUGOSLAV SATISFACTION.

7. STRONGEST COMBINATION TECHNICALLY - AND HIGHEST U.S. CONTENT -- WOULD INCLUDE BOTH WESTINGHOUSE AND BABCOCK-WILCOX. LATTER WOULD LIKE TO COOPERATE, BUT WESTINGHOUSE FEARS BABCOCK-WILCOX PROPOSED YUGOSLAV SUBCONTRACT DJURO-DJAKOVIC DOES NOT HAVE AS GOOD LINK WITH KOSOVO AS MASINOGRADNJA (MGA) AND MINEL, WITH WHICH COMBUSTION ENGINEERING WOULD WORK.

8. IF SOVIETS DO NOT STEAL CONTRACT, EMBASSY PREDICTS THAT BOTH WESTINGHOUSE AND BABCOCK-WILCOX WILL REMAIN ON KOSOVO'S SHORT LIST OF BIDDERS. TO STAY COMPETITIVE, BOTH FIRMS MUST HAVE FIRM AND FAVORABLE FINANCING TO OFFER. WE WILL WORK WITH U.S. FIRMS TO GET INFO THAT EXIMBANK NEEDS FROM KOSOVO. WE URGE THAT EXIMBANK FIX BEST POSSIBLE TERMS.
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